

How To Be Big Though Small:

Identify a new market and corner it before the big boys wake up.

AGAIN AND AGAIN in this issue, the point has been made that corporate strength does not depend on sheer size but on strength within a particular industry or industries. It is better to be a big fish in a little pond than a big fish in a big pond.

Thus there are conditions under which a fairly small company can be quite a power. Take just two examples: Tektronix, Inc., \$250 million in sales, the world's biggest producer of oscilloscopes; and Presto Products, \$30 million in sales, which holds 85% to 90% of the private-label market for plastic bags.

Tektronix, Inc. is the brainchild of Howard Vollum, now 61, who after World War II developed his own oscilloscope in the appliance store he shared with a friend, M. Jack Murdock. Vollum's scope happened to be better and 60% cheaper than comparable models. Du Mont, the major U.S. oscilloscope producer, was asleep. "They wanted to fool around with big-time television," says Vollum. "They were complacent about their scope." Murdock and Vollum pooled savings and went into business with \$35,000. Tektronix now has about 75% of the U.S. oscilloscope business.

John E. Lynch, 49, was wax paper product manager for Marathon Paper, a division of American Can, back in 1960. Wax paper was in danger of losing out to polyethylene plastic, Lynch felt. He urged American Can to try the market, but got thumbs down. Lynch then went into business in his native Appleton, Wis. with \$20,000 invested by friends and relatives. He offered plastic sandwich bags, later garbage and trash bags, too, at 10% to 30% less than competitors, plus merchandising services for supermarkets. In a few years Lynch had pinned down the private-label market. Now little Presto Products is No. Three behind Union Carbide and Mobil. In the meantime, Gulf Oil, Phillips Petroleum and Ethyl have all ventured into the plastic bag market and then dropped out. "You don't develop complex marketing and manufacturing systems overnight," says Lynch.

Conclusions: Little companies can succeed if they are started by bright people with the right idea at the right time. If they offer good products at economical prices. If they can finance expansion out of cash flow. If they look after their employees. Every employee takes part in Presto's profit-sharing plan. During rough times in 1970

Tektronix kept practically all employees around by lengthening vacations. Both are textbook cases for success.

There are risks in this type of success. Both Presto and Tektronix have too many eggs in one basket. Now that polyethylene is in short supply, Presto hopes that it can diversify into other products. The best answer would be paper products, Lynch agrees, but he's not prepared to go back into the wax paper business.

In the past Tektronix let its engineers act as salesmen. They developed the new models of oscilloscopes the electronics industry needed. But Tektronix' market has begun to be saturated. Vollum tried to diversify by getting into the numerical-controls business, but manufacturers weren't ready for his devices. Now Tektronix is trying to develop new products based on the company's expertise with the cathode ray tube.

Perhaps the ultimate threat to Tektronix is self-testing computers that don't need oscilloscopes to probe their workings. "We get around that by building our own automated system," says Vollum. But Tektronix has little incentive to make automated systems so fantastic that they will obsolete its bread-and-butter products.

Vollum shares stock control of Tektronix with the estate of his early backer, Jack Murdock. Vollum has brought along other managers, including a protégé, Earl Wantland, who became president two years ago. But when Vollum leaves the scene, the company will feel the vacancy now filled by his flow of new ideas. Vollum sits out in an immense, windowed office along with his other managers. "We believe in a free form, in discovering our way together, not individual goals," says Vollum. But what happens when the free-form leader goes? ■

Big Guys on Small Blocks

Company, Main Business	1973 Sales (in millions)	1973 Earnings (in millions)
Bandag Inc., retreading equip.	\$ 95.1	\$12.1
Charles River Breeding, lab. animals	9.9	1.0
Coffee-Mat, coffee vending mach.	13.0	2.27
Coleco Industries, swimming pools	74.6	Def.
Coleman, camping equip., stoves	186.3	10.3
Cross (A.T.) Co., fine pens	31.9	4.3
DeLuxe Check Prntr., bank checks	149.3	13.9
Diebold Inc., security systems	189.4	11.8
Emery Air Freight, freight forwarding	174.6	10.7
Hartz Mountain, pet supplies	151.3	16.4
Hesston Corp., haying equipment	98.2	6.2
Hughes Tool, drilling bits	121.8	13.6
Int'l Flav. & Frag., flavors, fragrances	174.1	27.0
Josten's Inc., class rings, yearbooks	110.9	6.3
Marley Co., water-cooling towers	107.5	5.7
Masco Corp., single-handle faucets	210.5	22.0
Overhead Door, overhead doors	98.6	6.4
Presto Products, plastic bags	24.7	1.9
Rival Mfg., can openers	52.2	6.5
Rubbermaid Inc., rubber housewares	123.1	9.7
Service Corp. Int'l, funeral homes	61.9	4.0
Stover (Russell), hand-dipped chocolates	67.5	7.8
Tampax Inc., sanitary tampons	119.4	28.9
Tektronix, cathode ray oscilloscopes	257.0	21.0

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